



**FORUM**  
**SESSION 2**

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**KEY HIGHLIGHTS OF  
THE 2026 INDIRECT TAX  
PROPOSALS**

## BUDGET 2026 INDIRECT TAX PROPOSALS

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### **INDIRECT TAX PROPOSALS**

- REVIEW OF EXCISE DUTY RATE ON CIGARETTE
- REVIEW OF EXCISE DUTY RATE ON CIGARS, CHERROOTS, AND CIGARILLOS
- REVIEW OF EXCISE DUTY RATE ON HEATED TOBACCO PRODUCTS
- REVIEW OF IMPORT DUTY AND SALES TAX EXEMPTION ON NICOTINE REPLACEMENT THERAPY PRODUCTS
- REVIEW OF EXCISE DUTY RATE ON ALCOHOLIC BEVERAGE PRODUCTS

## REVIEW OF EXCISE DUTY RATE ON CIGARETTE

CURRENT POSITION				PROPOSAL
Cigarette is subject to import duty, excise duty and sales tax as follows:				<p>In line with Malaysia's commitment as a party to the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) and as part of efforts to reduce the consumption of smoking products for the well-being of the rakyat, it is proposed excise duty rate on cigarette be increased in phases, starting with a rise of 2 sen per stick or 40 sen per packet.</p> <p>Effective Date : 1<sup>st</sup> November 2025</p>
Tariff Code	Import Duty	Excise Duty	Sales Tax	
2402.20.2000	20 sen per stick @ RM4 per packet	40 sen per stick @ RM8 per packet	10%	
2402.20.9000				
2402.90.2000				
<p><i>Note: One packet contains 20 cigarette sticks.</i></p>				

## REVIEW OF EXCISE DUTY RATE ON CIGARS, CHERROOTS AND CIGARILLOS

CURRENT POSITION				PROPOSAL
Cigars, cheroots dan cigarillos are subject to import duty, excise duty and sales tax as follows:				<p>In line with Malaysia's commitment as a party to the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) and as part of efforts to reduce the consumption of smoking products for the well-being of the rakyat, it is proposed excise duty rate on cigars, cheroots and cigarillos be increased in phases, starting with a rise of RM40 per kilogramme.</p> <p>Effective Date : 1<sup>st</sup> November 2025</p>
Tariff Code	Import Duty	Excise Duty	Sales Tax	
2402.10.0000	RM200 per kilogramme	RM400 per kilogramme	10%	
2402.90.1000				

## REVIEW OF EXCISE DUTY RATE ON HEATED TOBACCO PRODUCTS

CURRENT POSITION				PROPOSAL
Heated tobacco products are subject to import duty, excise duty and sales tax as follows:				In line with Malaysia's commitment as a party to the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) and as part of efforts to reduce the consumption of smoking products for the well-being of the rakyat, it is proposed excise duty rate on heated tobacco products be increased in phases, starting with a rise of RM20 per kilogramme of tobacco content.
<b>Tariff Code</b>	<b>Import Duty</b>	<b>Excise Duty</b>	<b>Sales Tax</b>	
2404.11.0000	5% + RM50 per kilogramme	RM778 per kilogramme of tobacco content	10%	Effective Date : 1 <sup>st</sup> November 2025

# REVIEW OF IMPORT DUTY AND SALES TAX EXEMPTION ON NICOTINE REPLACEMENT THERAPY PRODUCTS

CURRENT POSITION				PROPOSAL																			
<p>Import duty and sales tax rate for Nicotine Replacement Therapy (NRT) products are as follows:</p> <table border="1"> <thead> <tr> <th>Products</th> <th>Tariff Code</th> <th>Import Duty</th> <th>Sales Tax</th> </tr> </thead> <tbody> <tr> <td>Nicotine Gum</td> <td>2404.91.1000</td> <td>15%</td> <td>5%</td> </tr> <tr> <td>Nicotine Patch</td> <td>2404.92.1000</td> <td>0%</td> <td>10%</td> </tr> <tr> <td>Nicotine Mist</td> <td rowspan="2">2404.91.9000</td> <td>15%</td> <td>5%</td> </tr> <tr> <td>Nicotine Lozenges</td> <td>0%</td> <td>10%</td> </tr> </tbody> </table> <p>Nicotine gum and nicotine patch are exempted from import duty and sales tax effective from 1 April 2023 to 31 March 2026.</p>				Products	Tariff Code	Import Duty	Sales Tax	Nicotine Gum	2404.91.1000	15%	5%	Nicotine Patch	2404.92.1000	0%	10%	Nicotine Mist	2404.91.9000	15%	5%	Nicotine Lozenges	0%	10%	<p>To further support the implementation of the mQuit programme and the Lung Health Initiative by the Ministry of Health as well as in line with Malaysia’s commitment as a party to World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC) to provide smoking cessation treatment, it is proposed:</p> <ol style="list-style-type: none"> <li>i. import duty and sales tax exemption on nicotine gum and nicotine patch be extended to 31 December 2027; and</li> <li>ii. the scope of exemption for NRT products be expanded to include nicotine mist and nicotine lozenges from 11 October 2025 to 31 December 2027.</li> </ol> <p>Effective Date : For applications received by the Ministry of Finance from 11 October 2025 to 31 December 2027.</p>
Products	Tariff Code	Import Duty	Sales Tax																				
Nicotine Gum	2404.91.1000	15%	5%																				
Nicotine Patch	2404.92.1000	0%	10%																				
Nicotine Mist	2404.91.9000	15%	5%																				
Nicotine Lozenges		0%	10%																				

## REVIEW OF EXCISE DUTY RATE ON ALCOHOLIC BEVERAGE PRODUCTS

CURRENT POSITION			PROPOSAL
Alcoholic beverage products are subject to excise duty at the following rates:			<p>To reduce access to alcoholic beverages and promote a healthier lifestyle, it is proposed excise duty rate on alcoholic beverage products be increased by 10%.</p> <p>Effective Date : 1<sup>st</sup> November 2025</p>
Product Description	Tariff Code	Excise Duty (RM) (per 100% vol. per liter)	
Beer	22.03	175.00	
Sparkling wine	2204.10.000	450.00	
<i>Other wine, grape must, other grape must, vermouth, brandy, whiskies, rum, gin and geneva, vodka</i>	2204.21, 2204.22, 2204.29, 2204.30, 22.05, 2208.20 2208.30, 2208.40.0000, 2208.50.0000, 2208.60.0000	150.00	
Cider and perry, sake, shandy, wine (vegetable & fruit juice), other rice wine, liqueurs and cordials, arrack or pineapple spirit	2206.00.1000, 2206.00.2000, 2206.00.4100, 2206.00.4900 2206.00.6000, 2206.00.9100, 2208.70.1000, 2208.70.9000 2208.90.5000, 2208.90.6000, 2208.90.9100, 2208.90.9900	60.00	
Samsu (including medicated samsu)	2208.90.1000, 2208.90.2000, 2208.90.3000, 2208.90.4000	60.00	
Coconut palm toddy, mead, bitters	2206.00.3100, 2206.00.3900, 2206.00.5000 2206.00.9900, 2208.90.7000, 2208.90.8000	40.00	
Undenatured ethyl alcohol	2207.10.0000	22.50 and 15%	
Ethyl alcohol and other spirits	2207.20	1.10 and 15%	

## OTHER BUDGET 2026 PROPOSALS



**YAB DATO' SERI ANWAR  
BIN IBRAHIM**  
Prime Minister &  
Minister of Finance

10th October 2025

The **Carbon Tax** will be introduced starting 2026, with an initial focus on the iron, steel and energy sectors.

To ensure efficient implementation of the Carbon Tax, its mechanism will be aligned with the National Carbon Market Policy and the upcoming Climate Change Bill.

## OTHER BUDGET 2026 PROPOSALS



**YAB DATO' SERI ANWAR  
BIN IBRAHIM**  
Prime Minister &  
Minister of Finance

10th October 2025

The RMCD will also introduce **digital tax stamps** with enhanced security features to curb counterfeiting, while addressing leakages at the nation's entry points through the implementation of a Centralised Screening Complex with integrated CCTV systems

# MANAGING SST REVISION & EXPANSION 2025

The revision of the Sales Tax and the expansion of the Service Tax scope encompass the following:

## SALES TAX REVISION

- The Sales Tax rate remains unchanged for essential goods consumed by the public;
- Sales Tax at rates of 5% or 10% will apply to discretionary and non-essential goods; and

## SERVICE TAX EXPANSION

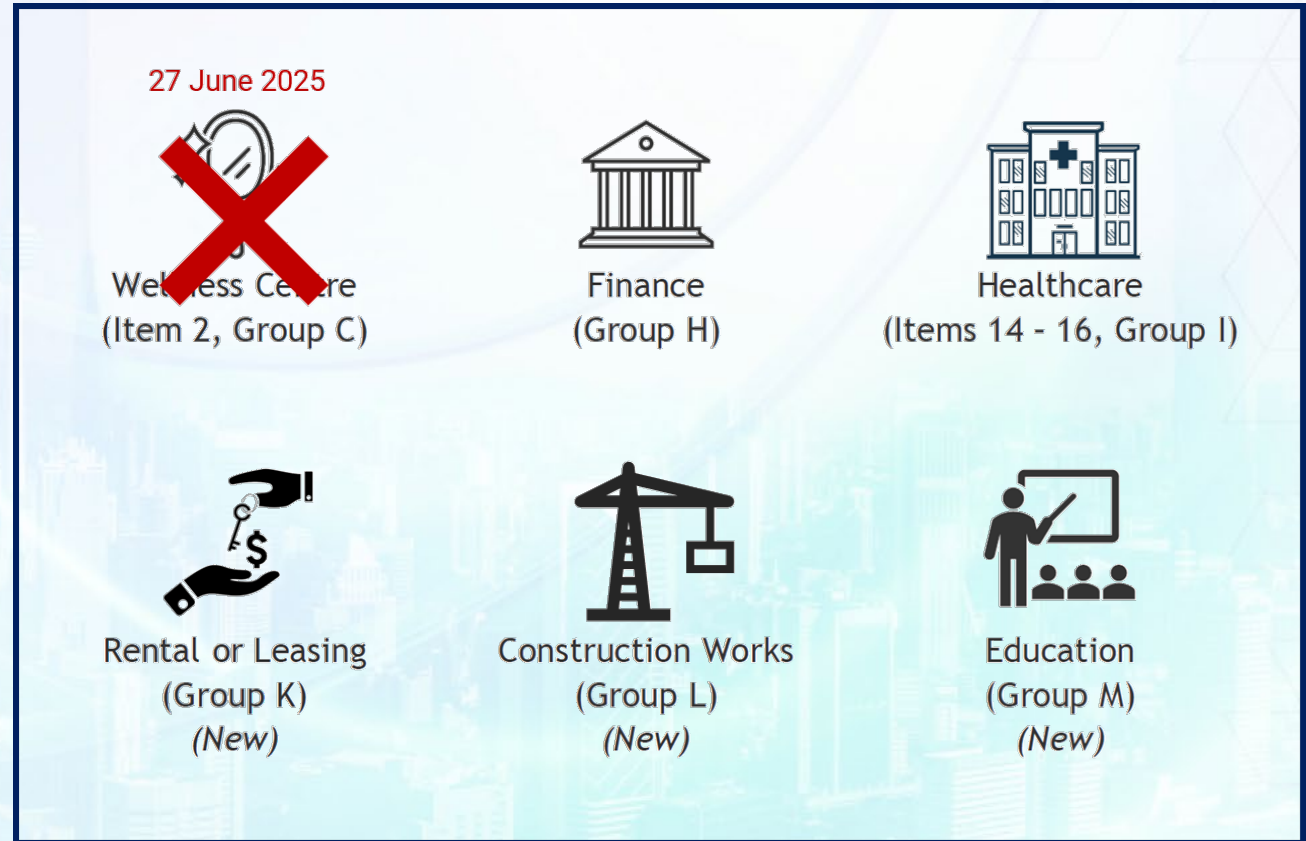
- The scope of the Service Tax will be expanded to include new services such as leasing or rental, construction, financial services, private healthcare, and education.
- This expansion includes targeted exemptions to avoid cascading tax effects and to ensure that certain essential services for Malaysian citizens remain exempt.

## **MANAGING SST REVISION & EXPANSION 2025**

# MANAGING SST REVISION & EXPANSION 2025

## SERVICE TAX

- P.U.(A) 172/25 – Service Tax (Amendment) Regulations 2025  
*(subsequent amendment by P.U.(A) 201 on 30<sup>th</sup> June 2025)*
- P.U.(A) 173/25 – Service Tax (Rate of Tax) (Amendment) Order 2025
- P.U.(A) 174/25 – Service Tax (Person Exempted from Payment of Tax) (Amendment) Order 2025



# MANAGING SST REVISION & EXPANSION 2025

## FINANCIAL SERVICES – GROUP H

NEW TAXABLE SERVICES	SERVICE TAX RATE	THRESHOLD
Provision of financial services charged for fees, commissions or similar payments excluding the following: <ul style="list-style-type: none"> <li>▪ Interest or profit from loans and Islamic financing</li> <li>▪ Foreign exchange and capital market gains</li> <li>▪ Brokerage and underwriting for life/medical insurance or family takaful</li> <li>▪ Fees on credit cards and charge cards</li> <li>▪ Basic banking (savings, current accounts)</li> <li>▪ Exported financial services</li> <li>▪ Penalty charges.</li> </ul>	8%	RM1,000,000
<b>AFFECTED BUSINESS/TAXPAYERS</b> Any person who provides financial services based on fees, commissions or any other similar payment		
<b>REFERENCES</b> <ol style="list-style-type: none"> <li>1. Service Tax Policy 3/2025</li> <li>2. Guide on Financial Services</li> </ol>		

# MANAGING SST REVISION & EXPANSION 2025

## HEALTHCARE SERVICES – GROUP I

NEW TAXABLE SERVICES	SERVICE TAX RATE	THRESHOLD
<p>Provision of healthcare services to non-citizens, including:</p> <ul style="list-style-type: none"> <li>▪ Healthcare services provided by healthcare facilities registered or licensed under the Private Healthcare Facilities and Services Act 1998</li> <li>▪ Practice of traditional and complementary medicine; and</li> <li>▪ Services relating to allied health</li> <li>▪ Exclusion Lists;                             <ul style="list-style-type: none"> <li>▪ Healthcare services provided by Government facilities;</li> <li>▪ Private healthcare facilities under any university or university colleges registered under the University and University Colleges Act 1971 or the Universiti Teknologi MARA Act 1976.</li> </ul> </li> </ul>	8%	RM1,500,000
<p><b>AFFECTED BUSINESS/TAXPAYERS</b> Private hospitals and clinics serving non-citizen patients; Allied health professionals such as physiotherapists, dietitians, or occupational therapists treating non-citizen clients, etc.</p>		
<p><b>REFERENCES</b></p> <ol style="list-style-type: none"> <li>1. Service Tax Policy 5/2025</li> <li>2. Guide on Private Healthcare Services (1<sup>st</sup> July 2025)</li> </ol>		

# MANAGING SST REVISION & EXPANSION 2025

## LEASING OR RENTAL – GROUP K

NEW TAXABLE SERVICES	SERVICE TAX RATE	THRESHOLD
Provision of rental or leasing for tangible asset services, excluding the rental or leasing of the following: <ul style="list-style-type: none"> <li>▪ Housing accommodation;</li> <li>▪ Reading materials;</li> <li>▪ Tangible assets located outside Malaysia; or</li> <li>▪ Financial lease.</li> </ul>	8%	RM1,000,000
<b>AFFECTED BUSINESS/TAXPAYERS</b> Landlords renting out commercial properties; Companies leasing machinery or equipment under operating leases; etc.		
<b>REFERENCES</b> <ol style="list-style-type: none"> <li>1. Service Tax Policy 2/2025</li> <li>2. Guide on Rental or Leasing Services (9<sup>th</sup> June 2025)</li> </ol>		

# MANAGING SST REVISION & EXPANSION 2025

## CONSTRUCTION SERVICES – GROUP L

NEW TAXABLE SERVICES	SERVICE TAX RATE	THRESHOLD
Provision of construction works services, excluding the following: <ul style="list-style-type: none"> <li>▪ Construction of a residential building; and</li> <li>▪ Construction of public facilities related to residential buildings.</li> </ul>	6%	RM1,500,000
<b>AFFECTED BUSINESS/TAXPAYERS</b> Construction companies involved in commercial or industrial buildings; Contractors working on roads, bridges, tunnels, or public infrastructure, etc.		
<b>REFERENCES</b> <ol style="list-style-type: none"> <li>1. Service Tax Policy 2/2025</li> <li>2. Guide on Construction Work Services (9<sup>th</sup> June 2025)</li> </ol>		

# MANAGING SST REVISION & EXPANSION 2025

## EDUCATION SERVICES – GROUP M

NEW TAXABLE SERVICES	SERVICE TAX RATE	THRESHOLD
<ul style="list-style-type: none"> <li>▪ Provision of pre-school, primary, lower secondary, upper secondary or post-secondary education services where fees exceed RM60,000 per student per academic year; and</li> <li>▪ Any public or private higher education institution registered under the prescribed act providing education-related services to a non-citizen.</li> <li>▪ Any Language centre registered under the Education Act 1996 providing education-related services to a non-citizen.</li> </ul>	6%	NIL
<p><b>AFFECTED BUSINESS/TAXPAYERS</b> Private schools charging fees above RM60,000 per student per year; Universities and colleges offering courses to non-citizen students, etc.</p>		
<p><b>REFERENCES</b></p> <ol style="list-style-type: none"> <li>1. Service Tax Policy 4/2025</li> <li>2. Guide on Private Education Services (9<sup>th</sup> June 2025)</li> </ol>		

# MANAGING SST REVISION & EXPANSION 2025

## WAIVER OF PENALTY UP TO 31 DECEMBER 2025

EXEMPTIONS	CONDITIONS
<p>Exemption from being subject to compound, prosecution, and penalty until 31 December 2025 for the following offences:</p> <ol style="list-style-type: none"> <li>1. Late registration</li> <li>2. Late submission of returns</li> <li>3. Late payment</li> <li>4. Incorrect declaration (under declaration &amp; underpayment)</li> <li>5. Any errors related to invoices, credit notes, or debit notes.</li> </ol>	<ol style="list-style-type: none"> <li>(a) The offence involved is detected by the Royal Malaysian Customs Department (RMCD) or the company makes a voluntary confession or declaration regarding the offence.</li> <li>(b) The exemption does not apply to fraud offences or offences committed intentionally.</li> <li>(c) An application for penalty remission must be submitted to the Royal Malaysian Customs Department (RMCD) in accordance with the prescribed procedures.</li> </ol>

# TAXES

## **KEY CONSIDERATIONS FOR AFFECTED BUSINESSES**

- 1. Ascertaining Registration Timeline**
- 2. Transitional Rules**
- 3. Relief & Exemptions**
- 4. Identifying and Managing Downstream Service Tax Liabilities**
- 5. Reclassification of Goods: Adjusted Sales Tax Rates**

**SALIHIN**  
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*Thank You*